

SUBCOMMITTEE NO. 2

Agenda

S. Joseph Simitian, Chair
John J. Benoit
Alan Lowenthal



Thursday, May 14, 2009
9:30 a.m. or upon adjournment of session
Room 2040

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Resources—Environmental Protection—Energy—Transportation

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Vote-Only Calendar

Spring Finance Letters

	Department	Proposal	2009-10 Amount (000)
1	Secretary for Natural Resources	California River Parkways: Extend liquidation period for \$29.9 million in Proposition 50 bond fund grants to June 30, 2011.	\$29,900
2	Secretary for Natural Resources	Strategic Growth Council: Two permanent positions to support the Strategic Growth Council funded from Proposition 84 bond funds.	\$146
3	Secretary for CalEPA	Unified Program Data System: One position and additional funds from the Unified Program Account for a local government web-based inspection and enforcement reporting system.	\$219
4	Secretary for CalEPA	Unified Program Electronic Reporting: Six positions and contract funds to support the integration of previously developed applications and the development of technical interfaces with 118 local agencies. This activity is in response to AB 2286 (Feuer, 2008) which requires a Unified Hazardous Materials and Hazardous Waste Regulatory Management Program electronic information management system by January 1, 2010.	\$2,513
5	Tahoe Conservancy	Environmental Improvement Program: Extend the liquidation period for various Proposition 12 bond funded local assistance grants and capital outlay projects until June 30, 2011.	LA: \$6,203 CO: \$1,031
6	California Conservation Corps	Capital Outlay Reappropriation: The working drawings and construction for the Tahoe Base Center Relocation Project.	\$10,432
7	Department of Conservation	Land Resource Protection Program: Technical adjustments to reflect decreasing Williamson Act revenues.	-\$882
8	Department of Conservation	Information Technology Infrastructure Lifecycle Support: Fixes to security of DOC's network computing infrastructure.	\$132
9	Boating and Waterways	Imperial Beach Restoration Project: Provide funding from Harbors and Watercraft Revolving Fund for the City of Imperial Beach Silver Strand Shore Protection Project.	\$4,200
10	CalFire	California Emergency Management Agency Coordinator: Additional reimbursement authority to provide dispatch services for CalEMA's Emergency Command Center.	\$155
11	CalFire	Mobile Command Center Prototype: Increased reimbursement authority to receive a grant from CalEMA for the construction of a prototype Mobile Communications Center.	\$1,350
12	CalFire	Fuels Treatment: Federal grant funds for fuels treatment projects in San Bernardino, Riverside, and San Diego counties.	\$3,261
13	CalFire	Bond Funds Liquidation Extension: Extend liquidation period until June 30, 2011 on various Proposition 12, 40, and 50 bond funds.	\$3,728
14	CalFire	Capital Outlay Reappropriations: Reappropriate and extend the liquidation period for 41 capital outlay projects. Acquisitions would be extended until June 30, 2012; Construction would be extended until June 30, 2014; and all others would be extended until June 30, 2011.	

	Department	Proposal	2009-10 Amount (000)
15	Fish and Game	Facilities Health and Safety Compliance: Funds to enter into a lease on a new facility, since the current facility is too small for the current staff and out of compliance with ADA requirements.	\$741
16	Fish and Game	Bond Fund Realignment: Technical changed to reduce bond funds that expired in 2008-09 but were accidentally left in the 2009-10 Budget.	-\$600
17	Fish and Game	Delta Fish Agreement: Increase reimbursements to implement environmental restoration work to offset direct fish losses resulting from pumping in the Delta.	\$1,000
18	Fish and Game	Ecosystem Water Quality: Increase reimbursements to address low levels of dissolved oxygen and methyl mercury in the Delta.	\$7,596
19	Fish and Game	Technical Budget Adjustments: An intra-schedule transfer of funds to reflect spending for local assistance out of the appropriate budget program.	\$0
20	Wildlife Conservation Board	Wetland and Riparian Habitat Conservation Projects: Revert General Fund that was never encumbered.	-\$1,535
21	Wildlife Conservation Board	Reappropriation and Extension of Liquidation for Various Funds: Habitat Conservation Fund capital outlay and Wildlife Restoration Fund Public Access Program.	\$33,024
22	State Coastal Conservancy	Increase Reimbursement Authority: This increase will allow the Coastal Conservancy to receive matching funds from local and non-profit project partners. Current reimbursement authority is \$1.8 million.	\$6,200
23	State Coastal Conservancy	Proposition 50 Bond Funds: Revert unused Proposition 50 funds and appropriate those same funds for the Conservancy's support budget.	\$500
24	State Coastal Conservancy	Technical Budget Adjustments: Proposition 84 Santa Ana River Parkway Program technical adjustment to keep the section of the bond reserved for this program from being over allocated.	
25	Parks and Recreation	Technical Adjustments: Reappropriations to the public safety dispatch system in the following amounts: \$3,074,000 GF; \$876,000 Off-Highway Vehicle Trust Fund; and \$5.6 million OHV Fund grants.	\$9,550
26	Parks and Recreation	Technical Adjustments: Baseline reductions to remove one-time costs. \$1,420,000 GF and \$333,000 OHV	-\$1,753
27	Parks and Recreation	Extension of Liquidation for various Proposition 12 bond funds for state support and local assistance projects.	
28	Parks and Recreation	Proposition 12 Funding for Local Park Grants: Proposition 12 stated that eight years after the original appropriation funds for local assistance projects would revert. Due to the bond freeze, many projects were unable to liquidate in a timely manner. This appropriation would allow those previously started projects one year to complete.	\$39,795

	Department	Proposal	2009-10 Amount (000)
29	Parks and Recreation	Capital Outlay Reappropriations: Reappropriate 44 capital outlay projects.	
30	San Joaquin River Conservancy	Fund shift of \$54,000 from in-house property management to contract management of the Conservancy's lands. Due to the large area covered by the Conservancy's responsibility area, travel costs and travel time make it prohibitive for one person to effectively manage the lands. The Conservancy intends to employ other state agencies and non-profits in the management activities.	\$0
31	Sierra Nevada Conservancy	Extension of Liquidation: Proposition 84 funded local assistance grants for two additional years.	
32	Integrated Waste Management Board	Education and Environment Initiative: Increase federal funding for training teachers in the EEI curriculum.	\$26
33	Integrated Waste Management Board	Education and Environment Initiative: Increase reimbursement authority for curriculum development.	\$1,000
34	Integrated Waste Management Board	National Environmental Information Exchange Network: Federal funds toward California's participation in an environmental data network.	\$100

Staff Recommendation: Staff recommends that the Subcommittee approve the 34 spring finance letters listed in the chart.

3340 California Conservation Corps

1. Local Corp Bond Funding Reappropriation

Background. There are twelve local conservation corps in California. They provide workforce training and education to youth at the local level. In the *2008-09 Budget Act*, the Legislature provided \$23 million in bond funds for the local corps. The budget act was passed in August 2008, providing less than a full fiscal year to expend the funds. Then, in December 2008, the Pooled Money Investment Board froze bond funds. That action halted the ability of the local corps to continue their projects.

2008-09 Budget Act. The *2008-09 Budget Act* provided \$23 million in Proposition 84 bond funding for the local conservation corps. The funding had a liquidation period of one year only.

Staff Recommendation. Staff recommends that the Subcommittee reappropriate the \$23 million in Proposition 84 bond funds to the local conservation corps to allow them to complete projects begun during the 2008-09 fiscal year.

2. Funding Youth Employment

Background. The California Conservation Corps (CCC) assists federal, state and local agencies, and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 12 community conservation corps.

Staff Comment. At a time of high unemployment in California, it is more important than ever to provide young people with educational opportunities and employment. Proposition 84 bond funds exist that can be used to employ in public works projects youth that may otherwise be reliant on social services.

Staff Recommendation. Staff recommends that the Subcommittee appropriate \$7 million in Proposition 84 bond funds for the CCC and \$8 million in Proposition 84 bond funds for the local conservation corps to increase youth employment and education. Staff recommends that the Subcommittee approve budget bill language directing the use of these funds to include education and employment of foster youth. Staff also recommends that the Subcommittee approve budget bill language to make these funds available until June 30, 2011.

3540 Department of Forestry and Fire Protection

3. Arson and Bomb Unit

Background. Each year approximately 160,000 pounds of illegal fireworks are seized in California. Due to environmental and safety reasons, existing statute requires that the State Fire Marshal dispose of seized illegal fireworks. The cost of safely disposing of the illegal fireworks is approximately \$6 per pound. To cover the cost of illegal firework disposal, SB 839 (Calderon, 2007) established the State Fire Marshal Fireworks and Enforcement Fund to receive 65 percent of penalties from the possession of illegal fireworks “to enforce, prosecute, dispose of, and manage dangerous fireworks and to educate public safety agencies in the proper handling and management of dangerous fireworks.”

Governor’s Budget. The Governor’s Budget proposed \$285,000 from the Fireworks and Enforcement Fund for two new positions to establish an Arson and Bomb Unit within the State Fire Marshal. The Unit would conduct enforcement and disposal of illegal fireworks.

Budget Act. The *2009-10 Budget Act* does not include any funds for the arson and bomb unit.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal. This proposal is significantly scaled back from the 2008-09 proposal that was rejected. Due to concerns over the handling of explosives and clean air concerns, trained personnel must handle the disposal of large quantities of fireworks. The funding comes from a dedicated source for fireworks disposal.

4. Lease-Revenue Bond Funded Capital Outlay Proposals

Background. All lease-revenue bond funded capital outlay proposals were pulled from the 2009-10 Budget Act without prejudice. The concerns over lease-revenue proposals were two-fold: (1) lease-revenue bond funded projects must have all phases of the project approved, removing legislative control over decisions on the project prior to the completion of plans; and (2) long-term debt service of the state.

Governor's Budget. The Governor's Budget proposed \$290,344,000 in lease-revenue bond funded projects. These projects were:

1. El Dorado Fire Station: service warehouse – replace facility. This project includes construction of a 16-bed barracks and mess hall; 5-bay auto shop with a welding bay, service center/warehouse with Self Contained Breathing Apparatus component and generator/pump/storage building with generator. \$26,375,000
2. Cuesta Conservation Camp – relocate facility. This project would relocate the Cuesta Conservation Camp and the Unite Mobile Equipment Maintenance Facility to another location within the same state-owned Camp San Luis Obispo property. \$70,238,000
3. Parlin Fork Conservation Camp – replace facility. This project would replace a conservation camp with: a new administrative building; standard 14-bed barracks/mess hall; warehouse; physical training building; 4-bay utility garage; auto and welding shop; generator/pump/storage building; and various inmate use buildings. \$53,544,000
4. Soquel Fire Station – replace facility. This project would construct an 8-bed barracks/mess hall; 2-bay apparatus building; and a generator/pump/storage building with an emergency generator. \$10,599,000
5. Gabilan Conservation Camp. This project would construct a 14-bed officer's quarters, an 8-bed officer's quarters for Department of Corrections staff, a vehicle wash rack and a fire cache trailer cover. \$21,865,000
6. Potrero Fire Station – replace facility. This project would construct a new standard 2-engine fire station with a 14-bed barracks/mess hall; 3-bay apparatus building, a battalion chief's office and a generator/pump/storage building with an emergency generator. \$10,389,000
7. Tuolumne-Calaveras Service Center – relocate facility. This project would relocate and construct a 10,000 sq ft service center (warehouse with office space); an administrative office building; a physical training building; an emergency command center; a fuel dispensing system; and a generator/pump building with an emergency generator. \$24,655,000
8. Butte Unit – replace facility. This project would include demolition of existing buildings and the construction of a 20-bed barracks/mess hall, 3-bay apparatus

- building; an administrative office building; 5-bay auto shop, 2-bay dozer shed, covered vehicle wash rack, a physical fitness building, service center/warehouse, a maintenance building, and a generator/storage building. \$30,692,000
9. Cayucos Fire Station – replace facility. This project would include demolition of existing structures and construction of an 8-bed barracks, 2-bay apparatus building and a generator/storage building with an emergency generator. \$9,678,000
 10. Felton Fire Station – replace facility. This project would include demolition of existing buildings and construction of a 12-bed barracks, 2-bay apparatus building, a dozer shed, an administrative office building, a dispatch area, two generator/pump/storage buildings, and a physical training building. \$25,100,000
 11. Parkfield Fire Station – replace facility. This project would include construction of an 8-bed barracks/mess hall, a 2-bay apparatus building, a generator/pump/storage building, fuel facilities, vehicle wash pad, underground utilities, propane system, septic system, a new well, a new water treatment system, a security fence, and landscaping. \$7,209,000

Budget Act. The *2009-10 Budget Act* does not include funds for CalFire capital outlay proposals. The funds for capital outlay projects were removed without prejudice.

Staff Recommendation. Staff recommends that the Subcommittee approve the lease-revenue funded CalFire capital outlay projects in the following amounts:

1. El Dorado Fire Station: \$26,376,000
2. Cuesta Conservation Camp: \$70,239,000
3. Parlin Fork Conservation Camp: \$53,545,000
4. Soquel Fire Station: \$10,600,000
5. Gabilan Conservation Camp: \$21,866,000
6. Potrero Fire Station: \$10,390,000
7. Tuolumne-Calaveras Service Center: \$24,656,000
8. Butte Unit: \$30,693,000
9. Cayucos Fire Station: \$9,679,000
10. Felton Fire Station: \$25,101,000
11. Parkfield Fire Station: \$7,210,000

5. Air Resources Board Regulations on Diesel Equipment

Air Resources Board Regulations. In January 2007, the Air Resources Board (ARB) adopted regulations for “On-Road Heavy-Duty Diesel-Fueled Public Fleets”. This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles to reduce identified diesel particulate matter in the exhaust by 75 percent by 2010. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance.

ABxx 8. In February 2009, legislation was passed that extended the compliance period for the Air Resources Board regulations.

Governor's Budget. The Governor's Budget proposed \$2,762,000 in General Fund for CalFire to retrofit 45 off-road heavy-duty diesel vehicles to meet new ARB clean air regulations. The compliance is towards the following regulations:

1. *In-Use On-Road Regulations for Public Fleets* – CalFire has 59 vehicles that meet this criteria. Sixty percent of these vehicles must be retrofitted by December 31, 2009. It will cost approximately \$20,000 to retrofit each vehicle, for a total of \$1,180,000.
2. *In-Use Off-Road Regulations for Diesel Vehicles* – CalFire has 145 off-road vehicles that have to comply with this regulation to reduce NOX and Particulate Matter pollution. The total cost of retrofitting this fleet is \$2,900,000 over five years, or \$580,000 annually.
3. *Portable Equipment Registration Program (PERP)* – This program monitors the movement of heavy-duty equipment between air districts. In order to move a piece of heavy-duty equipment from one air district to another, CalFire will need a permit. CalFire has 126 pieces of such equipment, 89 of which are too old to quality and must be replaced with a cost of \$2,406,000. After replacement, these pieces still have to be registered if transported. The total registration fee for all CalFire equipment under the PERP program is \$79,400 annually.

Budget Act. The 2009-10 Budget Act includes no funds for this item.

ABxx 8. AB 8 of the Second Extraordinary Session of 2009-10 extended the implementation deadline for the ARB regulation on Off-Road Diesel Vehicles. This extension allows until 2011 instead of the original 2010 for 20 percent of the fleet to be retrofitted.

Staff Comment. Due to ABxx 8, CalFire does not have to retrofit any of its in-use off-road diesel vehicles during 2009-10. The ARB regulations for in-use on-road public fleets requires 60 percent of the fleet retrofitted by December 31, 2009. CalFire has 59 in-use on-road diesel vehicles, of which 36 would have to be retrofitted during the 2009-10 fiscal year for a cost of \$720,000. CalFire will still have to meet the portable equipment registration program requirements.

Staff Recommendation. Staff recommends that the Subcommittee approve \$2,762,000 in one-time funding from Air Quality Improvement Fund for these diesel retrofits. Staff also recommends trailer bill language allowing for the one-time expenditure of these funds from the Air Quality Improvement Fund.

3600 Department of Fish and Game

6. Renewable Energy Regulatory Action Team

Background. Current statute requires that California's energy use consist of a minimum of 20 percent renewable energy by 2010. The Governor's Executive Order S-14-08 expanded the required use of renewable energy to 33 percent of energy use by 2020. The Public Utilities Commission has estimated that in 2008 renewable energy made up 13.7 percent of all energy

sales in California. To reach the goal of 20 percent, more renewable power facilities must be constructed, and those facilities must have transmission lines to deliver power to distribution centers. There are a number of environmental permits and concerns overseen by the Department of Fish and Game (DFG) that apply when new power facilities and transmission lines are constructed. These include incidental take permits, the California Environmental Quality Act, and endangered species habitat concerns.

Renewable Energy Conservation Planning Program. The Department of Fish and Game's Renewable Energy Conservation Planning Program (RECPP) will focus on providing permit and technical assistance to expedite siting and construction of renewable energy projects. The RECPP will also work on including the Renewable Portfolio Standard into the Natural Communities Conservation Plan process. This program is anticipated to run for the next 15-20 years as increasing amounts of renewable energy are constructed in California.

Governor's Budget. The Governor's Budget proposes \$3,057,000 from reimbursements for 22 temporary two-year positions to establish a Renewable Energy Action Team and a Renewable Energy Conservation Planning Program. The reimbursement for 2009-10 comes from:

- \$1,498,897 from the Energy Commission
- \$1,558,103 from the Wildlife Conservation Board Proposition 84 bond funds

The reimbursement for 2010-11 comes from:

- \$749,489 from the Energy Commission
- \$1,498,897 from the Wildlife Conservation Board Proposition 84 bond funds
- \$1,528,500 from energy generators

Budget Act. The *2009-10 Budget Act* does not include funds for this purpose.

Staff Comment. This item was held open while the corresponding items for the Energy Commission and the Public Utilities Commission (PUC) were debated. The Subcommittee indicated that more time was needed to discuss the policy implications of the 33 percent renewable portfolio standard by sending the corresponding proposals for both the Energy Commission and the PUC to Conference.

Staff Recommendation. Staff recommends that the Subcommittee reject this proposal in order to have more time in Conference to debate the state's approach to the 33 percent RPS standard.

7. Ecosystem Restoration Program Implementation NCCP

NCCP. The objective of the Natural Communities Conservation Plan (NCCP) is to conserve natural communities at the ecosystem scale while accommodating compatible land use. The NCCP is a plan for the conservation of natural communities that takes an ecosystem approach and encourages cooperation between private and government interests. The plan identifies and provides for the regional or area-wide protection and perpetuation of plants, animals, and their habitats, while allowing compatible land use and economic activity. Proposition 84 includes a set-aside of \$20 million for the development of NCCPs.

BDCP. The Bay Delta Conservation Plan (BDCP) is intended to create a stable regulatory framework to help conserve at-risk native species and natural communities in the Delta. The BDCP will implement a program for restoring and managing habitats within the Bay-Delta, along with improving the design and operation of the State Water Project and the Central Valley Project. The BDCP is intended to provide coordinated and standardized mitigation measures for the various federal and state environmental requirements, such as the Habitat Conservation Plan and the NCCP.

Governor's Budget. The Governor's budget requested \$8,914,000 in Proposition 84 bond funds for the NCCP for the CALFED Bay-Delta Program. Funds would be used for conservation actions, baseline surveys, data analysis, peer review, habitat mapping and other activities necessary for development of the Bay-Delta Conservation Plan.

Budget Act. The *2009-10 Budget Act* includes no funds for this proposal.

Staff Recommendation. Staff recommends that the Subcommittee approve the proposal with the following budget bill language:

Of the funds appropriated in this item, \$8,900,000 shall be used exclusively to develop a natural communities conservation plan for the Sacramento San Joaquin Bay Delta pursuant to Chapter 10 (commencing with Section 2800) of the Fish and Game Code.

8. Diesel Vehicle Retrofit Program

Background. In January 2007, the Air Resources Board (ARB) adopted regulations for "On-Road Heavy-Duty Diesel-Fueled Public Fleets". This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles by December 31, 2009 to reduce identified diesel particulate matter in the exhaust. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance.

Fish and Game Fleet. The Department of Fish and Game (DFG) has 75 vehicles that are considered on-road heavy-duty diesel vehicles. These vehicles are used for fish planning, stream-bed restoration, habitat maintenance, and other department activities. DFG estimates that it will cost \$900,000, or \$20,000 per vehicle, to retrofit 45 vehicles and reach regulation compliance by 2010.

Governor's Budget. The Governor's Budget proposes \$900,000 from various funding sources for the clean-air retrofits of 45 department on-road heavy-duty diesel vehicles. The funding sources are:

- \$405,000 from the General Fund
- \$270,000 from the Fish and Game Preservation Fund
- \$63,000 from the California Environmental License Plate Fund
- \$63,000 from the Oil Spill Preservation and Administration Fund
- \$54,000 from Reimbursements

- \$45,000 from the Hatcheries and Inland Fisheries Fund

Staff Recommendation. Staff recommends that the Subcommittee approve \$900,000 in one-time funding from Air Quality Improvement Fund for these diesel retrofits. Staff also recommends trailer bill language allowing for the one-time expenditure of these funds from the Air Quality Improvement Fund.

9. Quagga Mussel

Background. The Quagga Mussel is a highly invasive freshwater mussel that is capable of devastating aquatic ecosystems and impacting water infrastructure. The Quagga Mussel is related to the Zebra Mussel and can reproduce at very rapid rates. It has spread throughout the eastern United States, and is known for hindering water for domestic, municipal, industrial, and agricultural purposes by clogging pipes and other water delivery infrastructure. The Quagga Mussel was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Mead, Lake Havasu, and on the Metropolitan Water District intake pumps.

DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The Quagga Mussel is spread by boats that are moved from one body of water to another.

AB 1683. AB 1683 (Wolk, 2007) requires DFG to develop Quagga Mussel control and eradication plans, as well as assist water agencies in the development and implementation of their plans of control and eradication if the Quagga is discovered in their systems. Also, AB 1863 required DFG to inspect waters and water facilities in the state for Quagga Mussel presence. If Quagga or Zebra mussels are found in a local water body, AB 1683 requires local agencies that operate a water supply system to prepare a plan to control Quagga and Zebra mussels.

Local Governments. In January 2008, zebra mussels were found in San Justo Reservoir in San Benito County. Zebra mussels have never before been found in California. By state law, the local water agency is required to develop a plan for controlling the mussel infestation. In response to the San Justo Reservoir infestation, the county and local water district cooperated with nearby counties to develop a regional approach to an inspection program, including a computerized tracking system, for five counties in the Bay Area (Santa Clara, Contra Costa, Alameda, Monterey, and San Benito). This regional inspection-based approach is unique to this coalition.

Staff Recommendation. Staff recommends that the Subcommittee appropriate \$250,000 from the Harbors and Watercraft Fund for two years to the Bay Area multi-county response effort as a pilot project.

3790 Department of Parks and Recreation

10. Diesel Regulation Compliance

Background. In January 2007, the Air Resources Board (ARB) adopted regulations for “On-Road Heavy-Duty Diesel-Fueled Public Fleets”. This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles by December 31, 2009, to reduce identified diesel particulate matter in the exhaust. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance. The Department of Parks and Recreation has 129 vehicles that fall under the on-road heavy-duty diesel regulations.

Budget Act. The *2009-10 Budget Act* includes no funds for this item.

Governor’s Budget. The Governor’s January 10 Budget proposed \$1,635,000 General Fund for retrofits of the department’s heavy-duty diesel vehicles.

Staff Recommendation. Staff recommends that the Subcommittee approve \$1,635,000 in one-time funding from Air Quality Improvement Fund for these diesel retrofits. Staff also recommends trailer bill language allowing for the one-time expenditure of these funds from the Air Quality Improvement Fund.

11. Parks Concession Contracts

Concession Contracts. Pursuant to Public Resources Code 5080.2, the Legislature must approve Department of Park and Recreation concession contracts. For the 2009-10 fiscal year there are six concession agreements that require legislative approval.

1. Ferry Service from San Francisco to Angel Island
2. Hollister Hills State Vehicular Recreation Area — Park Store Concession
3. Oceano Dunes State Vehicular Recreation Area — Camp Trailer Rental Service
4. Santa Monica State Beach — Food Service Concession Stand
5. California Citrus State Historic Park – Wealthy Grower’s Mansion Concession
6. Old Town San Diego State Historic Park – Franklin House Concession

Supplemental Report Language. Supplemental Report Language (SRL) describing the contacts should be included in the final Supplemental Report Language as part of the *2009-10 Budget Act*. Proposed language:

Item 3790-001-0001 --- Department of Parks and Recreation:

Concession Contracts. Pursuant to Public Resources Code Section 5080.20, the following concession proposals are approved as described below:

- a. Angel Island State Park – Ferry Service Concession. The department may bid a new concession contract to provide ferry service transportation exclusively between San Francisco and Angel Island State Park.

The proposed provisions of the new concession contract include a term of up to ten years; annual rent will be the greater of a guaranteed flat rate or a percentage of annual gross receipts. Proposers will be required to bid a minimum annual rent of up to \$50,000 or up to 15 percent of monthly gross receipts whichever is greater, and commit up to 2 percent monthly gross receipts for dock maintenance.

It is anticipated that the new concession contract will be implemented during the fall of 2009.

- b. Hollister Hills State Vehicular Recreation Area – Park Store Concession. The department may bid a new concession contract to operate, and maintain a park store concession with food service with Hollister Hills State Vehicular Recreation Area.

The proposed provisions of the new concession contract include a contract term of up to 10 years to maintain and operate a park store to sell sundry items, food, motorcycle parts and provide repair services. The new contract may consider the inclusion of rental equipment services. Annual rent to the State will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum annual rent of up to \$48,000 or up to 8 percent of gross receipts whichever is greater. The contract will also include up to \$60,000 in capital improvements to the structure.

It is anticipated that the new concession contract will be implemented during the winter of 2010.

- c. Oceano Dunes State Vehicular Recreation Area -- Camp Trailer Rental Service Concession. The department may bid a new concession contract to provide for camping trailer rental services for park visitors camping at Oceano Dunes State Vehicular Recreation Area.

The proposed provisions of the new contract will include a term of up to 10 years; annual rent will be the greater of a guaranteed flat rate or a percentage of monthly gross receipts. Proposers will be required to bid a minimum annual rent of up to \$36,000 or up to 10 percent of monthly gross receipts whichever is greater.

It is anticipated that the new contract will be implemented during the winter of 2010.

- d. Santa Monica State Beach --- Food Service Concession. The department may authorize the City of Santa Monica, under their current operating agreement with the Department of Parks and Recreation, to solicit proposals from the public for a contract to operate a food service concession on Santa Monica State Beach.

The proposed provisions of the new contract include a contract term of up to 10 years. Annual rent will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum of up to \$75,000 per year or up to 15 percent of gross receipts, whichever is greater. In addition, limited one-time capital improvements to the facility of up to \$20,000 may be a consideration.

It is anticipated that a new concession contract will be issued during the summer of 2009.

e. California Citrus State Historic Park --- Wealthy Grower's Mansion Concession.

The department may bid a new concession contract to plan, design, permit, and construct a historic replica of a wealthy grower's mansion and to operate and maintain this facility as a visitor serving concession.

The proposed provisions of the new concession contract will provide visitor services, which may include overnight lodging, food service, retail sales, and event and conference space. The provisions include a contract term of up to 50 years and a minimum annual rental requirement will be based on the results of a feasibility study to be completed in the summer of 2009, and a capital investment of \$3 million for construction of the historic lodge.

It is anticipated that the new concession contract will be implemented during the winter of 2010.

f. Old Town San Diego State Historic Park --- Franklin House Concession. The department may bid a new concession contract to plan, design, permit, and construct a historic replica of the Franklin House and to operate and maintain the facility as a visitor serving concession.

The proposed provisions of the new concession contract will provide a variety of services, including overnight lodging, food service, and retail sales. The contract term will be up to 50 years. It is anticipated that the newly created concession contract will include a minimum rental bid requirement based on the results of a feasibility study to be completed in the summer of 2009, and a capital improvement investment of approximately \$6.5 million.

It is anticipated that the new concession contract will be implemented during the winter of 2010.

Staff Recommendation. Staff recommends that the Subcommittee adopt Supplemental Report Language describing the scope of the concession contracts.

3850 Coachella Valley Mountains Conservancy

12. Opportunity Land Acquisitions

Proposition 84. California voters in November 2006 passed Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006, which provides \$5.388 billion in general obligation bonds for environmental and resource purposes. The Proposition 84 bond language allocated funds to the state's conservancies in order to guarantee land acquisitions and environmental restoration projects. Coachella Valley Mountains Conservancy was allocated \$36 million through Proposition 84.

Budget Act. The *2009-10 Budget Act* included Proposition 84 bond funds for many of the state's conservancies. However, the *2009-10 Budget Act* includes no bond funds for Coachella Valley Mountains Conservancy to make land purchase grants.

Land Value Appraisals. The Coachella Valley Mountains Conservancy's bond funds request was initially denied by the Department of Finance due to the conservancy not seeking third party verification of the property value appraisals for land purchased. However, the conservancy has now adopted regulations requiring that the conservancy and all its grantees always seek a third party independent review of the property value appraisals prior to purchasing land. As this administrative problem has been corrected, it is no longer a reason for holding back the conservancy's bond funding.

Staff Recommendation. Staff recommends that the Subcommittee appropriate \$6 million in Proposition 84 bond funds, as well as \$343,000 in Proposition 12 funds and \$456,000 in Proposition 40 funds, to the Coachella Valley Mountains Conservancy for land acquisition.

3910 California Integrated Waste Management Board

13. Greenhouse Gas Reductions from Solid Waste

Background. On June 21, 2007, the Air Resources Board adopted the *Landfill Methane Capture Strategy* as a discrete action measure.

Proposal. With these funds, CIWMB would:

- Analyze the economic costs and benefits of solid waste and recycling programs, in support of AB 32 Scoping Plan measures and subsequent implementation. This will provide a basis for determining the best implementation mechanism for each measure, such as market-based, regulatory, or carbon-trading systems. (1 PY)
- Increase recycling from the commercial sector, by evaluating model commercial recycling ordinances and assisting the business sector and local jurisdictions in developing and implementing commercial recycling ordinances. This would also entail

assisting businesses, local government, and the waste industry in utilizing a commercial diversion software tool to evaluate costs and savings and calculate reductions in greenhouse gas emissions associated with solid waste activities. (2 PY)

- Partner with the Air Resources Board, California Climate Action Registry (CCAR), and the International Council for Local Environmental Initiatives in developing solid waste management protocols and providing education and outreach to affected stakeholders. These protocols will assist local governments in measuring and reporting greenhouse gas emissions. (1 PY)
- Conduct research to evaluate greenhouse gas emissions associated with product development, manufacturing, use, and disposal. This would entail developing strategies such as economic incentives, improved environmental impact calculators for products, environmental performance standards and labeling, and public outreach. It also would entail identifying data gaps, potential regulations, and potential legislative action. (\$300,000 in contract funds)
- Conduct research on reducing N₂O emissions at composting facilities. This would include analysis of compost feedstock characteristics and operations parameters to determine their impact on N₂O emissions. CIWMB would use the study results to assist organics handling businesses, CCAR, and other entities in the development related protocols and operational best management practices to reduce greenhouse gas emissions. (\$500,000 in contract funds)
- Reduce Vehicle Miles Traveled (VMT) through the optimization of solid waste and recycling routes. This would entail assisting key stakeholders and local jurisdictions with evaluation and implementation of optimization schemes to reduce VMT associated with transportation of solid waste and recycling materials. (1 PY)

Budget Act. The 2009-10 *Budget Act* includes \$1,312,000 from redirected funds, including six positions and \$800,000 in contract funds, for implementing programs that minimize methane emissions from landfills including increased source reduction and recycling, developing viable and sustainable markets to divert materials from landfills, and encouraging new technologies. This proposal also includes \$501,000 for 2010-11. The funds for both 2009-10 and 2010-11 will come from a redirection of the Waste Characterization Study funds.

Staff Comments. The Air Resources Board (ARB) is the regulatory agency for AB 32 implementation, and it is unclear to staff why another agency needs resources to implement ARB's regulations.

Some of the expenses do not seem fully justified. For example, the proposal requests two positions to increase recycling from the commercial sector. It seems that this task should already be underway as part of the CIWMB's core mission.

In addition, staff thinks that the one position to reduce the vehicle miles traveled by commercial sector vehicles is not justified. Since there is no carbon fee added on to the cost of recycling, commercial sector recyclers will most likely continue to use the lowest cost service rather than the recycling service with the least carbon output.

Staff Recommendation. Staff recommends that the Subcommittee reject the proposal.

3930 Department of Pesticide Regulation

14. Volatile Organic Compounds

Volatile Organic Compounds. Fumigant pesticides emit volatile organic compounds (VOC) that contribute to smog. In California's central valley approximately six percent of the smog is caused by pesticides. VOCs contribute to the formation of ground-level ozone, which is harmful to human health and vegetation when present at high enough concentrations. The federal Clean Air Act requires each state to submit a State Implementation Plan (SIP) for achieving and maintaining federal ambient air quality standards, including the standard for ozone. Nonattainment areas (NAAs) are regions in California that do not meet either federal or state ambient air quality standards. California has five nonattainment areas: San Joaquin Valley, Sacramento Metro, South Coast, Southeast Desert, and Ventura.

State Implementation Plan. The 1994 SIP was developed by the Air Resources Board and approved by the USEPA as a plan for addressing air quality in California. The 1994 SIP specified that California would reduce fumigant pesticide VOC emissions by 12 percent below the 1991 levels. Currently, the USEPA is reviewing the updated 2007 SIP that would change the reduction in VOC from percentages to tons of emissions. The 2007 SIP keeps the reduction level the same and only changes how that reduction is measured.

Lawsuits. In 2006, a federal judge ruled that the Department of Pesticide Regulation (DPR) ignored clean air laws for pesticides. The lawsuit said DPR failed to apply clean air rules to pesticides, dating back to 1997. The judge ordered the department to write regulations that would cut fumigant pesticide emissions in the Central Valley by 20 percent from 1991 levels.

As a response to that court ruling, DPR wrote regulation to reduce fumigant pesticide VOC emissions by 20 percent from 1991 levels. Those regulations were approved by the Office of Administrative Law on January 25, 2008, and were placed into effect.

In August 2008, the Ninth Circuit Court of Appeals in San Francisco overturned the findings of the federal judge. As a result of the Appeals Court victory, the Department of Pesticide Control is now finalizing new regulations that call for a smaller decrease - a 12 percent cut from 1990 levels.

Past Budget Action. In the *2008-09 Budget Act*, DPR received \$2.6 million and 11 positions to implement VOC regulations. These positions were an increase in staffing due to the additional workload created by a 20 percent reduction in VOCs from the 1991 levels.

Staff Comments. The department has been provided with the staff and funding to implement a 20 percent reduction in VOCs from the 1991 levels. Also, the department already finalized the more stringent VOC regulations. Thus, there is no need to relax standards that protect human and environmental health.

Staff Recommendation. Staff recommends that the Subcommittee adopt trailer bill language requiring the department to implement 20 percent fumigant pesticide VOC reduction regulations.

Discussion Items

0540 Secretary for Natural Resources

Background. The Secretary for Natural Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and conservancies under the jurisdiction of Resources Agency.

Budget Act. The *2009-10 Budget Act* includes \$87.5 million to support the Secretary for Natural Resources. This is a 40 percent decrease over estimated expenditures in the current year primarily due to reduced bond fund expenditures.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
Type of Expenditure				
Administration	\$ 104,383	\$ 69,764	-\$34,619	-33.2
CALFED Bay-Delta Program	42,564	17,814	-24,750	-58.2
Total	\$ 146,947	\$ 87,578	-\$59,369	-40.4
Funding Source				
General Fund	\$ 5,377	\$ 5,736	\$ 359	6.7
Special Funds	4,621	3,467	-1,154	-25.0
Bond Funds	107,525	61,000	-46,525	-43.3
<i>Budget Act Total</i>	<i>117,523</i>	<i>70,203</i>	<i>-47,320</i>	<i>-40.3</i>
Federal Trust Fund	12,778	8,471	-4,307	-33.7
Reimbursements	16,646	8,904	-7,742	-46.5
Total	\$ 146,947	\$ 87,578	-\$59,369	-40.4

1. Environmental License Plate Fund Fee Increase

ELPF. The Environmental License Plate Fund (ELPF) provides support to numerous conservancies and departments within the Resources Agency. The ELPF has a structural imbalance. Without a fee increase, and keeping expenditures constant the 2009-10 fiscal year expenditures would exceed available resources by \$7 million.

Trailer Bill. The trailer bill language would raise the environmental license plate fee by \$4 per plate. The new fee would be \$34 for renewals and \$44 for new plates.

Budget Act. The *2009-10 Budget Act* does not include trailer bill authorizing the ELPF fee increase. The Budget Act does provide decreased funding to departments and conservancies from the ELPF by \$4,720,000, but this decrease would be even more dramatic without the fee increase.

- Secretary for Natural Resources – Reduction to out of state travel and equipment replacement program: -\$50,000
- California Conservation Corps – Reduction to administration: -\$300,000
- CalFire – Environmental Protection Program field coordinator reduction (-\$15,000); Fire and Resource Assessment Program resource management strategies design (-\$30,000): Total reduction of -\$45,000
- Department of Fish and Game – Fund shift of \$3 million to the Fish and Game Preservation fund for wardens: -\$3 million
- State Coastal Conservancy – Reduction to Ocean Protection Council research on algal blooms: -\$257,000
- Santa Monica Mountains Conservancy – Reduction to consultant contracts for project planning and implementation: -\$50,000
- Sierra Nevada Conservancy – Reduction to interagency agreements: -\$500,000
- Department of Water Resources – Reduction in work on the Trinity River Restoration Program: -\$60,000
- CalEPA, Department of Pesticide Regulation – Fund shift of \$458,000 with the Department of Pesticide Regulation Fund

Staff Recommendation. Staff recommends that the Subcommittee approve the approve trailer bill language increasing the environmental license plate fee by \$8 per plate and to direct half of this increase to the Department of Fish and Game for wardens.

2. CALFED Science Program

Background. CALFED provides a science research grant for projects that provide scientific information related to water project operations, water quality, ecosystem restoration, and prevention and management of invasive species. The primary purpose of the CALFED Science Program is to implement programs and projects to articulate, test, refine, and improve the scientific understanding of all aspects of the Bay-Delta and its watershed areas. The Science Program aims to reduce the scientific uncertainties in the planning and implementation of CALFED Bay-Delta Program actions.

To award the science grants, the CALFED Science Program and the CALFED Agencies first determine the critical scientific information needs to help guide management decisions. These needs are then used to develop the Proposal Solicitation Package. The proposals undergo a technical review by two separate committees. Once the grant has been approved, the Science

Program staff works with the researcher and contract staff to develop a contract that includes information on the statement of work, schedules, deliverables, presentations, and final products.

Finance Letter. The Governor's spring finance letter requests the following:

1. An appropriation of \$2,899,000 in Proposition 50 bond funds and provisional budget bill language to have five years to encumber those funds. The requested amount comes from previously reverted Proposition 50 bond funds.
2. Extend Budget Act of 2008-09 provisional budget bill language for CALFED Proposition 50 funds from three years (expires June 30, 2011) to five years (expires June 30, 2013).
3. New five-year encumbrance period provisional budget bill language for the CALFED \$8 million reimbursement authority for an interagency agreement with Department of Water Resources in the Budget Act of 2009-10. The funds are from Proposition 84.

Staff Comment. The Legislature is currently considering various policy alternatives for how the Delta should be governed. These policy process discussions could change how funds related to environmental restoration, science, and other CALFED activities are spent in the future. Thus the policy process should inform the appropriation of these funds.

In the last five years the longest encumbrance period given to CALFED science funds has been three years. A shorter encumbrance period would allow the Legislature to redirect funds if it decided to change the structure of the program. Staff does not support extending the encumbrance or liquidation period for funds that are not expiring at the end of the current fiscal year. Also, if these science funds take five years to produce completed research, they are unlikely to provide research to inform the current debate of the Delta's future.

Staff Recommendation. Staff recommends that the Subcommittee:

1. Approve \$1,500,000 in Proposition 50 bond fund with a three-year encumbrance period.
2. Approve provisional language providing a three-year encumbrance period for the CALFED \$8 million reimbursement authority for an interagency agreement with the Department of Water Resources.
3. Approve trailer bill language requiring all approved science grants to be posted on the CALFED website.
4. Reject all funding for the CALFED Bay-Delta Program in the Secretary for Natural Resources that does not relate to the Science Program.

3. New River Project

New River. The New River flows from the Colorado River into the Salton Sea, a distance of about 73 miles. The river flows from Mexico to the United States, with about 60 miles of river located within California. The New River is polluted by agricultural drainage, treated sewage and raw sewage, and industrial waste.

Sanitation Project. The New River Sanitation Improvement Project will be constructed on the United States side of the U.S.-Mexico border. The project includes a headworks to lift trash out

of the river as it enters the United States. The project also includes a diversion structure to send design flood river flows directly into the culverts and direct normal flows into the bar screen. The project will also include a monitoring station.

Before construction on the project can begin, the project development and planning phase must be completed. The planning phase includes preliminary site assessments (including hydrogeological investigation and surveying/mapping) and preparation of the supporting studies, including the California Environmental Quality Act (CEQA) documents.

Federal Funds. This project received a \$4 million federal grant recently. If matching funds are not provided, the federal funds will soon revert and the state will lose an opportunity to clean up an impaired water body.

Staff Recommendation. Staff recommends that the Subcommittee appropriate \$800,000 in bond funds from Proposition 84 Section 75050(d).

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Budget Act. The *2009-10 Budget Act* includes \$450 million for support of the Department of Fish and Game. This is a reduction of \$24 million, or 5 percent, over current year expenditures. This reduction is primarily due to a reduction in bond funds and the 2008-09 expenditure of a one-time General Fund appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$ 254,032	\$ 214,607	-\$39,425	-15.5
Hunting, Fishing, and Public Use	71,621	72,104	483	-0.7
Management of Department Lands	47,087	51,245	4,158	8.8
Enforcement	62,101	68,449	6,348	10.2
Communications, Education, and Outreach	4,722	4,806	84	1.8
Spill Prevention and Response	33,624	35,815	2,191	6.5
Fish and Game Commission	1,345	1,379	34	2.5
Capital Outlay	530	2,149	1,619	305.5
Administration	43,672	43,811	139	0.3
<i>less distributed administration</i>	<i>-43,672</i>	<i>-43,811</i>	<i>-139</i>	<i>0.3</i>
Totals	\$ 475,062	\$ 450,554	-\$24,508	-5.2
Funding Source				
General Fund	\$ 85,135	\$ 75,848	-\$9,287	-10.9
Special Funds	172,899	184,957	12,058	7.0
Bond Funds	127,457	85,919	-41,538	-32.6
<i>Budget Act Total</i>	<i>385,491</i>	<i>346,724</i>	<i>-38,767</i>	<i>-10.1</i>
Federal Trust Fund	51,328	52,718	1,390	2.7
Reimbursements	38,597	44,444	5,847	15.2
Salton Sea Restoration Fund	-4,229	2,883	7,112	-168.2
Harbors and Watercraft Revolving Fund	2,149	2,181	32	1.5
Special Deposit Fund	1,586	1,604	18	1.1
Coastal Wetlands Account	140	0	-140	-100.0
Total	\$ 475,062	\$ 450,554	-\$24,508	-5.2

1. Anadromous Fish Management

Background. The Department of Fish and Game (DFG) Anadromous fish management has three components: the Coastal Salmonid Monitoring Plan, the Coho Recovery Plan Implementation, and Coastal Steelhead and Chinook Recovery.

Coastal Salmonid Monitoring Plan. The State of California does not have in place a coast-wide program to monitor the status and trend of salmon and steelhead populations. The DFG and the National Marine Fisheries Service (NMFS) have partnered on the development of the California Coastal Salmonid Monitoring Plan to monitor Anadromous fishes on the entire coast of California. The emphasis of the plan is to gather the data needed to manage fishing and hatcheries, and to de-list the federal and state-listed species.

Coho Recovery Plan Implementation. Coho salmon are listed as either threatened or endangered in California, depending on the river. The DFG adopted a Coho Recovery Strategy in 2004 that sets forth detailed actions to recover the species to the point of de-listing. The funding provided for the 2009-10 fiscal year will support projects through a direct grant program, managed by existing Fisheries Restoration Grant Program staff.

Coastal Steelhead and Chinook Recovery. The DFG approved a Steelhead Restoration and Management Plan in 1996, but until 2008-09 no funding was provided for the implementation of this plan. Nearly all salmon and steelhead runs on the coast are now listed as threatened or endangered.

2008-09 Budget Act. The *2008-09 Budget Act* included \$10,856,000 from Proposition 84 bond funds for grant funds and eight permanent and six temporary positions for Anadromous fish management.

Budget Act. The *2009-10 Budget Act* includes \$9,734,000 from Proposition 84 bond funds for Anadromous fish management. This includes Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, and Coastal Steelhead and Chinook recovery. No new positions were included in the *2009-10 Budget Act*.

Specifically, with these funds DFG will:

- Provide grants for fisheries restoration activities.
- Provide infrastructure in the Fisheries Branch and Regions to provide the bases for future plan implementation.
- Inform state and federal regulatory and environmental documentation needs.
- Provide a guide to the implementation of recovery plans.
- Assist other monitoring efforts in coastal watersheds by establishing a sampling matrix and guidelines for annual probabilistic surveys.
- Establish a joint Department/NMFS policy oversight and management team.

Staff Comment. The department's salmon recovery efforts are hindered by a multitude of factors, including destruction of streambeds during suction dredge gold mining and logging activities.

The DFG provides permits for suction dredge activities. The Alameda County Superior Court has ordered DFG to complete a CEQA review of suction dredging impact on salmon. The CEQA review was supposed to be completed by June 2008. In the *2008-09 Budget Act* the department received \$1.5 million General Fund to complete the CEQA review. Since the court has found suction dredging to have impact on salmon, it is advisable to halt suction dredging until the extent of that impact is understood.

Forestry practices can have an impact on salmon through factors such as stream temperatures. Forests can be managed in ways that are beneficial to salmon. Fish and Game Code Section 2112 requires the development of regulations for species for which a recovery plan has been approved. Though the Coho salmon has an approved recovery plan, the Fish and Game Commission and the Board of Forestry have not yet adopted permanent regulations for Coho salmon. For the last nine years, salmon have been regulated under temporary rules that require permitting only when a “take” of salmon occurs.

Staff Recommendation. Staff recommends that the Subcommittee approve the proposal and adopt trailer bill language that would:

1. Ban suction dredging in salmon habitat until one year after the updated CEQA document is approved.
2. Direct the Fish and Game Commission and the Board of Forestry to adopt permanent rules on salmon. The Board of Forestry should adopt regulations that implement the Coho recovery plan and that are not dependent on a finding that an application for a timber harvest plan permit will result in the take of Coho salmon.

2. Ecosystem Restoration Program

ERP Background. The Ecosystem Restoration Program (ERP) is a part of the CALFED Record of Decision on how to fix the Sacramento-San Joaquin Bay Delta. The Bay-Delta provides the drinking water to two-thirds of Californians. The ERP was designed to:

- Improve the ecological health of the San Francisco Bay and Sacramento-San Joaquin Delta.
- Achieve recovery of at-risk species in the Delta, Suisun Marsh, and San Francisco Bay and in the watershed above the estuary.
- Restore ecological processes associated with water conveyance, environmental productivity, water quality, and floodplains.

Budget Act. The *2009-10 Budget Act* includes \$22,022,000 in Proposition 84 bond funds for the Ecosystem Restoration Program.

Proposal. With these funds, the department intends to pursue the Stage 2 Conservation Strategy of the Ecosystem Restoration Program. This stage would adaptively address current scientific research, monitoring, results, and changing conditions identified regarding climate change, levee fragility, and increased water quality and demand.

Staff Comment. These funds are to fulfill the CALFED Record of Decision (ROD) environmental restoration goals. With the Bay-Delta Blue Ribbon Commission the state is moving away from the ROD and reconsidering the Delta restoration priorities. A proposal in the Department of Water Resources' budget to fund an alternative Delta conveyance water facility raises questions as to: (1) how such an alternative conveyance facility will impact the Delta ecosystem and (2) how effective the ERP is in relation to the ecological changes such an alternative conveyance system may bring to the Delta.

LAO Recommendation. The LAO recommends that the Legislature reject the budget proposal for new ecosystem restoration projects until the Legislature has had an opportunity to consider the long-term uses and configurations of the Delta as both an ecosystem and a water supply system. The result of those deliberations may be significant changes to the way in which the state uses the Delta. The LAO thinks it would be premature to fund restoration projects before those decisions are made, since fundamental changes to the Delta may make the proposed projects unsustainable in the long term.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal. This item will move to Conference so the department can provide a list of the projects to the Committee and a discussion can be had about the role of these projects in the future of the Delta.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor-owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

Budget Act. The *2009-10 Budget Act* includes \$6.3 billion to support DWR. This is a 20 percent decrease over estimated expenditures in the current year, mainly the result of a decrease in capital outlay and California Energy Resources Scheduling (CERS) funding. General Fund support for the department is proposed to decrease by nearly 20 percent. The \$4.3 billion in CERS funding is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis). The CERS funds will significantly decrease in 2012 as the majority of the power contracts are paid off.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
Type of Expenditure				
California Water Plan	\$ 848,513	\$ 150,139	-\$698,374	-82.3
Implementation of the State Water Resources Development System	861,730	903,861	42,131	4.9
Public Safety and Prevention of Damage	896,695	436,090	-460,605	-51.4
Central Valley Flood Protection Board	7,828	8,549	2,000	25.5
Services	9,425	9,660	235	2.5
California Energy Resources Scheduling	4,601,388	4,271,583	-329,805	-7.2
Capital Outlay	668,530	489,797	-178,733	-26.7
Administration	65,319	67,155	1,836	2.8
<i>less distributed administration</i>	<i>-65,319</i>	<i>-67,155</i>	<i>-1,836</i>	<i>2.8</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
Total	\$ 7,890,096	\$ 6,265,666	-\$1,624,430	-20.6
Funding Source				
General Fund	\$ 161,324	\$ 129,590	-\$31,734	-19.7
Special Funds	527,896	493,655	-34,241	-6.5
Bond Funds	2,503,681	1,285,720	-1,217,961	-48.7
<i>Budget Act Total</i>	<i>3,192,901</i>	<i>1,908,965</i>	<i>-1,283,936</i>	<i>-40.2</i>
Federal Trust Fund	13,530	13,922	392	2.9
DWR Electric Power Fund	4,601,388	4,271,583	-329,805	-7.2
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	-100.0
Reimbursements	82,257	71,196	-11,061	-13.5
Total	\$ 7,890,096	\$ 6,265,666	-\$1,624,430	-20.6

1. Central Valley Flood Protection Board

Statute. Legislation was enacted in 2007 (AB 5 and SB 17) that renamed the Reclamation Board the Central Valley Flood Protection Board (Board). The Board is required to act independently of the Department of Water Resources and continue to exercise all of its powers, duties, purposes, responsibilities, and jurisdiction. Furthermore, AB 162 (Wolk, 2007) requires the Board to review revised safety elements of local governments' general plans prior to the adoption of the amended safety element.

Board Membership. With the enabling statute the membership of the Board increased from seven to nine members, seven being appointed by the Governor and subject to Senate confirmation, and two members serving as non-voting ex officio members. The statute stated that the old Reclamation Board members would continue to serve on the Board until the Governor appoints new board members. The statute specified subject-area expertise criteria for the new board members.

Budget Act. The *2009-10 Budget Act* includes \$7.5 million General Fund and \$1 million in Proposition 1E bond funds for support of the Central Valley Flood Protection Board.

Finance Letter. The Governor has submitted a spring finance letter that would shift \$2,190,000 General Fund from the Central Valley Flood Protection Board to the DWR's Public Safety and Prevention of Damage program.

Staff Comment. The Central Valley Flood Protection Board was created in 2007 and received funding for the first time in the *2008-09 Budget Act*. At the time existing staff from within DWR was transferred to the Board because the Board's staffing needs were not fully known. Now some of those staff are being transferred back to DWR through the finance letter proposal.

The enabling statute for the Central Valley Flood Protection Board specified criteria that the Board members must meet to perform their duties. It is not clear if the current board members who were shifted over from the Reclamation Board meet the criteria specified for the Central Valley Flood Protection Board members. Because the Central Valley Flood Protection Board has some new functions that the Reclamation Board did not, it is appropriate for the Board members to answer questions about their decision-making rubric publicly.

Staff Recommendation. Staff recommends that the Subcommittee approve the finance letter. Staff also recommends that the Subcommittee reduce the Central Valley Flood Protection Board budget by \$5,310,000 General Fund.

3910 California Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Budget Act. The 2009-10 Budget Act includes \$257.3 million to support CIWMB in the budget year. This is an approximately 9 percent increase over the level of support in the current year. This increase is due to additional expenditures from the Tire Recycling Management Fund and Electronic Waste Recovery and Recycling Account. The board does not receive General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	\$ 238,170	\$ 262,071	\$23,901	10.0
Administration	9,927	9,935	8	0.1
<i>less distributed administration</i>	-9,927	-9,935	-8	0.1
<i>loan repayments</i>	-2,807	-4,767	-1,960	69.8
Total	\$ 235,363	\$ 257,304	\$21,941	9.3
Funding Source				
General Fund	\$ -	\$ -	\$ -	0.0
Special Funds	233,658	255,024	21,366	9.1
Bond Funds	-	-	0	0.0
<i>Budget Act Total</i>	233,658	255,024	21,366	9.1
Federal Trust Fund	200	275	75	37.5
Reimbursements	1,505	2,005	500	33.2
Total	\$ 235,363	\$ 257,304	\$21,941	9.3

1. Used Oil Recycling Program

Background. AB 2076, the California Oil Recycling Enhancement Act (1991, Sher) requires the California Integrated Waste Management Board (CIWMB) to administer a statewide used oil recycling program to promote and develop alternatives to the illegal disposal of used oil. The program is funded from the Used Oil Recycling Fund, which receives its funding from a \$0.16 per gallon fee paid by lubricating oil manufacturers. Industrial oil is exempt from this fee.

Since 2000, the sale of lubricant oil in California has steadily declined. The major reason for this is believed to be the larger number of miles new vehicles can travel between oil changes. In 2000-01, the Used Oil Recycling Fund revenues were about \$22 million, but in 2009-10 the fund's revenues are projected at \$16 million.

Grant Programs. The Act established four grant programs to promote used oil recycling infrastructure: Block, Opportunity, Non-Profit, and Research, Testing, and Demonstration. According to current statute, the CIWMB must expend on the Block grants either \$10 million or 50 percent of the Used Oil Recycling Fund balance, whichever is greater. However, the CIWMB is statutorily required to pay for other programs out of the Used Oil Recycling Fund as well. In 2009-10 the Used Oil Recycling Fund Balance is projected to be \$16 million and if the CIWMB funds both the Block grant \$10 million mandatory expenditure and the other statutorily required programs, these expenditures combined would create a deficit in the fund.

Budget Act. The *2009-10 Budget Act* includes budget bill language to allow CIWMB to use no less than half of the amount which remains in the Used Oil Recycling Fund after expenditures, even when this amount is less than \$10 million. Budget bill language is in effect for one year only.

Staff Comments. Staff understands that when local organizations are provided block grants on an annual basis to fund local oil recycling programs, some organizations do not expend appropriations in the year that they are provided, holding on to those funds for future use. In some cases, reserves held by local organizations are sufficient to sustain operations for multiple years at current levels of operation. The *2009-10 Budget Act* does not take into account how much each local organization is holding in reserves and would distribute the \$6 million in grants proportionally among all of the 250 statewide block grants, which is \$4 million less than distributed last year. As a result, the reduced grant allocation will have an unequal impact on those organizations that have reserves from prior year grants and those that do not. As a short term solution to minimize the impacts of these funding shortfalls on those organizations that do not have reserved block grant funds, staff recommends that the Subcommittee adopt trailer bill language that would require the board to prioritize block grants to those recipients that do not have reserves. Staff recommends that this language sunset after two years to provide adequate time for policy bills currently in the process to better align program revenues with expenditures. Under this proposal, the board would not be directly reverting any funding that a local agency holds from prior year block grants.

Policy Bills. Currently, there are two bills moving through the policy process that raise the oil fee to help fully fund the grant program: SB 546 (Lowenthal) and AB 507 (Chesbro).

Staff Recommendation. Staff recommends that the Subcommittee augment local assistance block grants by \$500,000 from the Used Oil Recycling Fund and adopt trailer bill language in concept that would authorize the CIWMB for two years to allocate block grant funding in a manner that distributes reductions equitably among all grantee operations. In order to minimize impacts on local grantees, this allocation method could consider the amounts of prior year block grants that local organizations are holding in reserves as available resources for grantees to use in their operations during 2009-10 and 2010-11.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Budget Act. The 2009-10 Budget Act includes \$197.8 million to support the DTSC in 2009-10. This is almost the same as the estimated expenditures in the current year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	\$ 110,470	\$ 111,060	\$590	0.5
Hazardous Waste Management	70,014	65,141	-4,873	-6.9
Science, Pollution Prevention, and Technology	14,858	19,715	4,857	32.7
State as Certified Unified Program Agency	1,647	1,964	317	19.3
Capital Outlay	2,656	-	-2,656	-100.0
Administration	33,149	33,198	49	0.2
<i>less distributed administration</i>	<i>-33,149</i>	<i>-33,198</i>	<i>-49</i>	<i>0.0</i>
Total	\$ 199,645	\$ 197,880	-\$1,765	-0.9
Funding Source				
General Fund	\$ 25,540	\$ 22,275	-\$3,265	-12.8
Special Funds	131,281	129,666	-1,615	-1.2
<i>Budget Act Total</i>	<i>156,821</i>	<i>151,941</i>	<i>-4,880</i>	<i>-3.1</i>
Federal Trust Fund	27,391	32,983	5,592	20.4
Reimbursements	12,433	12,869	436	3.5
Stringfellow Insurance Proceeds Account	3,000	87	-2,913	-97.1
Total	\$ 199,645	\$ 197,880	-\$1,765	-0.9

1. Realignment of Funding for TSCA and HWCA Program Activities

Background. The Department of Toxic Substances Control (DTSC) is primarily funded by two special funds: the Toxic Substances Control Account (TSCA) and the Hazardous Waste Control Account (HWCA). The HWCA revenues come from fees paid by hazardous waste generators, transporters, and disposers. The major revenue sources of TSCA are the environmental fee, which is a broad-based assessment on all businesses handling hazardous materials with 50 or more employees, and cost recovery from parties responsible for hazardous waste substance releases.

TSCA Fee. TSCA is funded primarily from an environmental fee on companies with more than 50 employees who "use, generate, store, or conduct activities in this state related to hazardous materials". The fee is has a sliding scale depending upon the size of company. The fee schedule is set in the Health and Safety Code 25205.6. The fee schedule is as follows:

1. Two hundred dollars (\$200) for those organizations with 50 to 74 employees.
2. Three hundred fifty dollars (\$350) for those organizations with 75 to 99 employees.
3. Seven hundred dollars (\$700) for those organizations with 100 to 249 employees.
4. One thousand five hundred dollars (\$1,500) for those organizations with 250 to 499 employees.
5. Two thousand eight hundred dollars (\$2,800) for those organizations with 500 to 999 employees.
6. Nine thousand five hundred dollars (\$9,500) for those organizations with 1,000 or more employees.

Budget Act. The *2009-10 Budget Act* includes an on-going shift of \$4,795,000 from the Hazardous Waste Control Account to the Toxic Substances Control Account to cover activities related to the regulation and enforcement of toxic substances in products. However, this funding shift cannot be implemented by the Department of Finance because the accompanying trailer bill language is not part of the *2009-10 Budget Act*.

Trailer Bill Language. This funding shift requires trailer bill language. The trailer bill language authorizes the TSCA to pay for the department's activities related to pollution prevention and related technology development. Also, the trailer bill language authorizes the use of TSCA for implementation of programs related to the Human and Ecological Risk Division, to the Environmental Chemistry Laboratory, and to the Office of Pollution Prevention and Technology Development.

Staff Comment. The department has stated that this fund shift would not result in a change in the fees collected. The trailer bill language was not approved as a part of the February 2009 budget package.

Staff Recommendation. Staff recommends that the Subcommittee adopt the Governor's proposed trailer bill language and adopt trailer bill language to raise the TSCA fee by 15 percent. The increased revenue from the fee increase will be used to replace General Fund in the department's base budget.